

**Compiled Accounting Standard**

**AASB 129**

# **Financial Reporting in Hyperinflationary Economies**

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This compiled Standard applies to annual reporting periods beginning on or after 1 January 2009 that end on or after 30 June 2009. Early application is permitted. It incorporates relevant amendments made up to and including 25 June 2009.

Prepared on 6 November 2009 by the staff of the Australian Accounting Standards Board.



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Australian Accounting Standard AASB 129 *Financial Reporting in Hyperinflationary Economies* (as amended) is set out in paragraphs Aus1.1 – 40. All the paragraphs have equal authority. AASB 129 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation and Application of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

## COMPILATION DETAILS

### **Accounting Standard AASB 129 *Financial Reporting in Hyperinflationary Economies as amended***

This compiled Standard applies to annual reporting periods beginning on or after 1 January 2009 that end on or after 30 June 2009. It takes into account amendments up to and including 25 June 2009 and was prepared on 6 November 2009 by the staff of the Australian Accounting Standards Board (AASB).

This compilation is not a separate Accounting Standard made by the AASB. Instead, it is a representation of AASB 129 (July 2004) as amended by other Accounting Standards, which are listed in the Table below.

**Table of Standards**

Standard	Date made	Application date ( <i>annual reporting periods ... on or after ...</i> )	Application, saving or transitional provisions
AASB 129	15 Jul 2004	<i>(beginning)</i> 1 Jan 2005	
AASB 2007-4	30 Apr 2007	<i>(beginning)</i> 1 Jul 2007	see (a) below
AASB 2007-8	24 Sep 2007	<i>(beginning)</i> 1 Jan 2009	see (b) below
AASB 2007-10	13 Dec 2007	<i>(beginning)</i> 1 Jan 2009	see (b) below
AASB 2008-5	24 Jul 2008	<i>(beginning)</i> 1 Jan 2009	see (c) below
AASB 2009-6	25 Jun 2009	<i>(beginning)</i> 1 Jan 2009 and <i>(ending)</i> 30 Jun 2009	see (d) below

- (a) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2007.
- (b) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009, provided that AASB 101 *Presentation of Financial Statements* (September 2007) is also applied to such periods.
- (c) Entities may elect to apply this Standard, or its amendments to individual Standards, to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009.
- (d) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009, provided that AASB 101 *Presentation of Financial Statements* (September 2007) is also applied to such periods, and to annual reporting periods beginning on or after 1 January 2009 that end before 30 June 2009.

### Table of Amendments

Paragraph affected	How affected	By ... [paragraph]
Title	footnote added	AASB 2008-5 [48]
Aus1.1	amended	AASB 2007-8 [7, 8]
Aus1.4	amended	AASB 2007-8 [8]
4	amended	AASB 2007-10 [73]
6	amended	AASB 2008-5 [48]
8	amended	AASB 2008-5 [48]
14	amended	AASB 2008-5 [48]
15	amended	AASB 2008-5 [48]
19	amended	AASB 2008-5 [48]
20	amended	AASB 2008-5 [48]
25	amended	AASB 2009-6 [64]
27	amended	AASB 2007-8 [90]
28	amended amended	AASB 2007-8 [91] AASB 2008-5 [48]
33 (and preceding heading)	amended	AASB 2007-8 [6]
34	amended	AASB 2007-4 [73]
35	amended	AASB 2007-4 [73]
36	amended	AASB 2007-8 [92]
38	amended	AASB 2007-10 [73]

### General Terminology Amendments

The following amendments are not shown in the above Table of Amendments:

References to 'income statement', 'balance sheet' and 'reporting date' were amended to 'statement of comprehensive income', 'statement of financial position' and 'end of the reporting period' respectively by AASB 2007-8.

## **COMPARISON WITH IAS 29**

### **AASB 129 and IAS 29**

AASB 129 *Financial Reporting in Hyperinflationary Economies* as amended incorporates IAS 29 *Financial Reporting in Hyperinflationary Economies* as issued and amended by the International Accounting Standards Board (IASB). Paragraphs that have been added to this Standard (and do not appear in the text of IAS 29) are identified with the prefix “Aus”, followed by the number of the relevant IASB paragraph and decimal numbering.

### **Compliance with IAS 29**

Entities that comply with AASB 129 as amended will simultaneously be in compliance with IAS 29 as amended.

## **ACCOUNTING STANDARD AASB 129**

The Australian Accounting Standards Board made Accounting Standard AASB 129 *Financial Reporting in Hyperinflationary Economies* under section 334 of the *Corporations Act 2001* on 15 July 2004.

This compiled version of AASB 129 applies to annual reporting periods beginning on or after 1 January 2009 that end on or after 30 June 2009. It incorporates relevant amendments contained in other AASB Standards made by the AASB up to and including 25 June 2009 (see Compilation Details).

## **ACCOUNTING STANDARD AASB 129**

### ***FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES<sup>1</sup>***

#### **Application**

**Aus1.1 This Standard applies to:**

- (a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
- (b) **general purpose financial statements of each other reporting entity; and**
- (c) **financial statements that are, or are held out to be, general purpose financial statements.**

**Aus1.2 This Standard applies to annual reporting periods beginning on or after 1 January 2005.**

[Note: For application dates of paragraphs changed or added by an amending Standard, see Compilation Details.]

**Aus1.3 This Standard shall not be applied to annual reporting periods beginning before 1 January 2005.**

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<sup>1</sup> As part of AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in July 2008, the Board changed the terms used in AASB 129 to be consistent with other Australian Accounting Standards as follows: (a) 'market value' was amended to 'fair value', and (b) 'results of operations' and 'net income' were amended to 'profit or loss'.

**Aus1.4**      **The requirements specified in this Standard apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 Materiality.**

Aus1.5      Notice of this Standard was published in the *Commonwealth of Australia Gazette* No S 294, 22 July 2004.

## **Scope**

- 1**      **This Standard shall be applied to the individual financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.**
- 2      In a hyperinflationary economy, reporting of operating results and financial position in the local currency without restatement is not useful. Money loses purchasing power at such a rate that comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.
- 3      This Standard does not establish an absolute rate at which hyperinflation is deemed to arise. It is a matter of judgement when restatement of financial statements in accordance with this Standard becomes necessary. Hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following:
  - (a)      the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
  - (b)      the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
  - (c)      sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
  - (d)      interest rates, wages and prices are linked to a price index; and
  - (e)      the cumulative inflation rate over three years is approaching, or exceeds, 100%.

- 4 It is preferable that all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Nevertheless, this Standard applies to the financial statements of any entity from the beginning of the reporting period in which it identifies the existence of hyperinflation in the country in whose currency it reports.

## The Restatement of Financial Statements

- 5 Prices change over time as the result of various specific or general political, economic and social forces. Specific forces such as changes in supply and demand and technological changes may cause individual prices to increase or decrease significantly and independently of each other. In addition, general forces may result in changes in the general level of prices and therefore in the general purchasing power of money.
- 6 Entities that prepare financial statements on the historical cost basis of accounting do so without regard either to changes in the general level of prices or to increases in specific prices of recognised assets or liabilities. The exceptions to this are those assets and liabilities that the entity is required, or chooses, to measure at fair value. For example, property, plant and equipment may be revalued to fair value and biological assets are generally required to be measured at fair value. Some entities, however, present financial statements that are based on a current cost approach that reflects the effects of changes in the specific prices of assets held.
- 7 In a hyperinflationary economy, financial statements, whether they are based on a historical cost approach or a current cost approach, are useful only if they are expressed in terms of the measuring unit current at the end of the reporting period. As a result, this Standard applies to the primary financial statements of entities reporting in the currency of a hyperinflationary economy. Presentation of the information required by this Standard as a supplement to unrestated financial statements is not permitted. Furthermore, separate presentation of the financial statements before restatement is discouraged.
- 8 **The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether they are based on a historical cost approach or a current cost approach, shall be stated in terms of the measuring unit current at the end of the reporting period. The corresponding figures for the previous period required by AASB 101 *Presentation of Financial Statements* (as revised in 2007) and any information in respect of earlier periods shall also be stated in terms of the measuring unit current at the end of the reporting period. For the purpose of presenting**

**comparative amounts in a different presentation currency, paragraphs 42(b) and 43 of AASB 121 *The Effects of Changes in Foreign Exchange Rates* apply.**

- 9 The gain or loss on the net monetary position shall be included in net income and separately disclosed.**
- 10 The restatement of financial statements in accordance with this Standard requires the application of certain procedures as well as judgement. The consistent application of these procedures and judgements from period to period is more important than the precise accuracy of the resulting amounts included in the restated financial statements.

## **Historical Cost Financial Statements**

### **Statement of Financial Position**

- 11 Statement of financial position amounts not already expressed in terms of the measuring unit current at the end of the reporting period are restated by applying a general price index.
- 12 Monetary items are not restated because they are already expressed in terms of the monetary unit current at the end of the reporting period. Monetary items are money held and items to be received or paid in money.
- 13 Assets and liabilities linked by agreement to changes in prices, such as index linked bonds and loans, are adjusted in accordance with the agreement in order to ascertain the amount outstanding at the end of the reporting period. These items are carried at this adjusted amount in the restated statement of financial position.
- 14 All other assets and liabilities are non-monetary. Some non-monetary items are carried at amounts current at the end of the reporting period, such as net realisable value and fair value, so they are not restated. All other non-monetary assets and liabilities are restated.
- 15 Most non-monetary items are carried at cost or cost less depreciation; hence they are expressed at amounts current at their date of acquisition. The restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the end of the reporting period. For example, property, plant and equipment, inventories of raw materials and merchandise, goodwill, patents, trademarks and similar assets are restated from the dates of their purchase. Inventories of partly-finished and finished goods are

restated from the dates on which the costs of purchase and of conversion were incurred.

- 16 Detailed records of the acquisition dates of items of property, plant and equipment may not be available or capable of estimation. In these rare circumstances, it may be necessary, in the first period of application of this Standard, to use an independent professional assessment of the value of the items as the basis for their restatement.
- 17 A general price index may not be available for the periods for which the restatement of property, plant and equipment is required by this Standard. In these circumstances, it may be necessary to use an estimate based, for example, on the movements in the exchange rate between the functional currency and a relatively stable foreign currency.
- 18 Some non-monetary items are carried at amounts current at dates other than that of acquisition or that of the statement of financial position, for example, property, plant and equipment that has been revalued at some earlier date. In these cases, the carrying amounts are restated from the date of the revaluation.
- 19 The restated amount of a non-monetary item is reduced, in accordance with appropriate Australian Accounting Standards, when it exceeds its recoverable amount. For example, restated amounts of property, plant and equipment, goodwill, patents and trademarks are reduced to recoverable amount and restated amounts of inventories are reduced to net realisable value.
- 20 An investee that is accounted for under the equity method may report in the currency of a hyperinflationary economy. The statement of financial position and statement of comprehensive income of such an investee are restated in accordance with this Standard in order to calculate the investor's share of its net assets and profit or loss. When the restated financial statements of the investee are expressed in a foreign currency they are translated at closing rates.
- 21 The impact of inflation is usually recognised in borrowing costs. It is not appropriate both to restate the capital expenditure financed by borrowing and to capitalise that part of the borrowing costs that compensates for the inflation during the same period. This part of the borrowing costs is recognised as an expense in the period in which the costs are incurred.
- 22 An entity may acquire assets under an arrangement that permits it to defer payment without incurring an explicit interest charge. Where it

is impracticable to impute the amount of interest, such assets are restated from the payment date and not the date of purchase.

- 23 [Deleted by the IASB]
- 24 At the beginning of the first period of application of this Standard, the components of owners' equity, except retained earnings and any revaluation surplus, are restated by applying a general price index from the dates the components were contributed or otherwise arose. Any revaluation surplus that arose in previous periods is eliminated. Restated retained earnings are derived from all the other amounts in the restated statement of financial position.
- 25 At the end of the first period and in subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later. The movements for the period in owners' equity are disclosed in accordance with AASB 101.

#### **Statement of Comprehensive Income**

- 26 This Standard requires that all items in the statement of comprehensive income are expressed in terms of the measuring unit current at the end of the reporting period. Therefore all amounts need to be restated by applying the change in the general price index from the dates when the items of income and expenses were initially recorded in the financial statements.

#### **Gain or Loss on Net Monetary Position**

- 27 In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power to the extent the assets and liabilities are not linked to a price level. This gain or loss on the net monetary position may be derived as the difference resulting from the restatement of non-monetary assets, owners' equity and items in the statement of comprehensive income and the adjustment of index linked assets and liabilities. The gain or loss may be estimated by applying the change in a general price index to the weighted average for the period of the difference between monetary assets and monetary liabilities.
- 28 The gain or loss on the net monetary position is included in profit or loss. The adjustment to those assets and liabilities linked by agreement to changes in prices made in accordance with paragraph 13 is offset against the gain or loss on net monetary position. Other income and expense items, such as interest income and expense, and foreign

exchange differences related to invested or borrowed funds, are also associated with the net monetary position. Although such items are separately disclosed, it may be helpful if they are presented together with the gain or loss on net monetary position in the statement of comprehensive income.

## **Current Cost Financial Statements**

### **Statement of Financial Position**

- 29 Items stated at current cost are not restated because they are already expressed in terms of the measuring unit current at the end of the reporting period. Other items in the statement of financial position are restated in accordance with paragraphs 11 to 25.

### **Statement of Comprehensive Income**

- 30 The current cost statement of comprehensive income, before restatement, generally reports costs current at the time at which the underlying transactions or events occurred. Cost of sales and depreciation are recorded at current costs at the time of consumption; sales and other expenses are recorded at their money amounts when they occurred. Therefore all amounts need to be restated into the measuring unit current at the end of the reporting period by applying a general price index.

### **Gain or Loss on Net Monetary Position**

- 31 The gain or loss on the net monetary position is accounted for in accordance with paragraphs 27 and 28.

### **Taxes**

- 32 The restatement of financial statements in accordance with this Standard may give rise to differences between the carrying amount of individual assets and liabilities in the statement of financial position and their tax bases. These differences are accounted for in accordance with AASB 112 *Income Taxes*.

### **Statement of Cash Flows**

- 33 This Standard requires that all items in the statement of cash flows are expressed in terms of the measuring unit current at the end of the reporting period.

## Corresponding Figures

- 34 Corresponding figures for the previous reporting period, whether they were based on a historical cost approach or a current cost approach, are restated by applying a general price index so that the comparative financial statements are presented in terms of the measuring unit current at the end of the reporting period. Information that is disclosed in respect of earlier periods is also expressed in terms of the measuring unit current at the end of the reporting period. For the purpose of presenting comparative amounts in a different presentation currency, paragraphs 42(b) and 43 of AASB 121 apply.

## Consolidated Financial Statements

- 35 A parent that reports in the currency of a hyperinflationary economy may have subsidiaries that also report in the currencies of hyperinflationary economies. The financial statements of any such subsidiary need to be restated by applying a general price index of the country in whose currency it reports before they are included in the consolidated financial statements issued by its parent. Where such a subsidiary is a foreign subsidiary, its restated financial statements are translated at closing rates. The financial statements of subsidiaries that do not report in the currencies of hyperinflationary economies are dealt with in accordance with AASB 121.
- 36 If financial statements with different ends of the reporting periods are consolidated, all items, whether non-monetary or monetary, need to be restated into the measuring unit current at the date of the consolidated financial statements.

## Selection and Use of the General Price Index

- 37 The restatement of financial statements in accordance with this Standard requires the use of a general price index that reflects changes in general purchasing power. It is preferable that all entities that report in the currency of the same economy use the same index.

## Economies Ceasing to be Hyperinflationary

- 38 When an economy ceases to be hyperinflationary and an entity discontinues the preparation and presentation of financial statements prepared in accordance with this Standard, it shall treat the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements.**

## Disclosures

- 39 The following disclosures shall be made:
- (a) **the fact that the financial statements and the corresponding figures for previous periods have been restated for the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the measuring unit current at the end of the reporting period;**
  - (b) **whether the financial statements are based on a historical cost approach or a current cost approach; and**
  - (c) **the identity and level of the price index at the end of the reporting period and the movement in the index during the current and the previous reporting period.**
- 40 The disclosures required by this Standard are needed to make clear the basis of dealing with the effects of inflation in the financial statements. They are also intended to provide other information necessary to understand that basis and the resulting amounts.

## Effective Date of IAS 29

- 41 [Deleted by the AASB]